

Message Text

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ACTION EB-08

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COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05 L-03
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STR-06 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 SOE-02
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PASS STR ELECTRONICALLY FOR STEWART

PASS TREASURY

E.O. 11652: N/A
TAGS: GATT, ETRD
SUBJECT: GATT BOP CONSULTATIONS - TURKEY

1. AT LUNCH OF KEY DELS JANUARY 18 HOSTED BY CHAIRMAN
OF BOP COMMITTEE (JAGMETTI-SWITZERLAND), IMF REP SAID
THAT, CONTRARY TO SOME PRESS REPORTS, IMF IS NOT ENCOURAG-
ING TURKEY TO PLACE INCREASED RESTRICTIONS ON IMPORTS.
ON THE CONTRARY, IMF IS ENCOURAGING TURKEY TO ABOLISH
THE STAMP TAX AND TO RELY ON THE DEVALUATION OF LIRE AND
MACRO ECONOMIC MEASURES TO IMPROVE THE TRADE ACCOUNT, AS
WELL AS MEASURES (UNSPECIFIED) TO IMPROVE EFFICIENCY AND
PROFITABILITY OF PUBLIC SECTOR ENTERPRISES.

2. WE ALSO UNDERSTAND THAT GOT HAS PASSED A BILL AUTH-
ORIZING AN INCREASE TO 25 PERCENT IN STAMP DUTY AND THAT
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GOT INTENDS TO SET DUTY AT THIS LEVEL. TURKISH GENEVA
REP CANNOT CONFIRM THIS AND TURKISH SUBMISSION FOR BOP
CONSULTATIONS (GATT DOCUMENT BOP 179) DOES NOT MENTION
LEVEL OF STAMP DUTY ALTHOUGH IT ASKS FOR 5-YEAR WAIVER.
IF THIS INFORMATION IS CORRECT, TURKEY WILL NEED TO
SEEK AMENDMENT OF EXISTING WAIVER RATHER THAN SIMPLE
EXTENSION SINCE LATEST EXTENSION (SEE BISD 22, P. 14)

PLACES 10 PERCENT LIMIT ON STAMP DUTY.

3. RECORD SHOWS THAT TURKEY HAS VARIED LEVEL OF STAMP DUTY IN PAST AND HAS JUSTIFIED WAIVER AT VARIOUS TIMES SINCE 1963 ON GROUNDS OF NEED TO PROTECT BALANCE OF PAYMENTS SITUATION AND AT TIMES ON BASIS OF NEED FOR ADDITIONAL REVENUE. IT APPEARS THAT JUSTIFICATION AT JAN. 25 CONSULTATION MAY BE BASED ON A COMBINATION OF THESE TWO ARGUMENTS.

4. WHILE WE UNDERSTAND POLITICAL NEED TO TAKE A SYMPATHETIC APPROACH TO TURKEY'S FINANCIAL AND BOP PROBLEMS, WE ALSO SEE SOME ADVANTAGE IN TAKING A MORE THOROUGH LOOK AT THE NEED FOR THE CONTINUATION OF THE WAIVER. WE DO NOT PROPOSE THAT THE COMMITTEE ATTEMPT TO DENY THE WAIVER BUT RATHER THAT WE DO NOT RUBBER STAMP A FURTHER EXTENSION OF THE WAIVER WITHOUT CAREFULLY LOOKING AT THE CONDITIONS THAT WE WISH TO SEE ATTACHED TO IT. WE SHOULD ALSO QUESTION THE TURKS CAREFULLY ON THE JUSTIFICATION FOR THE STAMP DUTY. IF IT IS INDEED A BOP MEASURE, THE COMMITTEE MAY WANT TO MAKE RECOMMENDATIONS CONSISTENT WITH THE APPROACH THAT THE IMF APPARENTLY IS TAKING. IF, ON THE OTHER HAND, IT IS A REVENUE MEASURE AS THE TURKS HAVE CLAIMED IN THE PAST AND THEREFORE LIKELY TO BE PERMANENT, WE MAY WANT TO ASK THE TURKS (1) IF THEY STILL INTEND TO INSTITUTE A TAX ON VALUE ADDED AS A SUBSTITUTE FOR THE STAMP DUTY AS THEY HAVE STATED IN THE PAST AND (2) IF NOT, WHY THEY DO NOT ASK FOR ARTICLE XXVIII NEGOTIATIONS TO LIMITED OFFICIAL USE

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RENEGOTIATE THEIR TARIFF SCHEDULE, INCORPORATING THE STAMP TAX INTO THEIR TARIFF DUTIES (AS THE PAKISTANIS APPARENTLY ARE DOING). SORENSON

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